

**Financial Sector (Collection of Data) (reporting standard) determinations Nos. 101 to 104 of 2013**

**EXPLANATORY STATEMENT**

**Prepared by the Australian Prudential Regulation Authority (APRA)**

*Financial Sector (Collection of Data) Act 2001*, sections 13 and 15

Under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities.

On 13 December 2013, APRA made the following determinations (the instruments):

- (1) Financial Sector (Collection of Data) (reporting standard) determination No. 101 of 2013 which determines *Reporting Standard GRS 460.0 Reinsurance Assets by Counterparty* (GRS 460.0);
- (2) Financial Sector (Collection of Data) (reporting standard) determination No. 102 of 2013 which determines *Reporting Standard GRS 460.1 Exposure Analysis by Reinsurance Counterparty* (GRS 460.1);
- (3) Financial Sector (Collection of Data) (reporting standard) determination No. 103 of 2013 which determines *Reporting Standard GRS 460.0\_G Reinsurance Assets by Counterparty (Level 2 Insurance Group)* (GRS 460.0\_G); and
- (4) Financial Sector (Collection of Data) (reporting standard) determination No. 104 of 2013 which determines *Reporting Standard GRS 460.1\_G Exposure Analysis by Reinsurance Counterparty (Level 2 Insurance Group)* (GRS 460.1\_G).

The instruments commence on 31 December 2013.

## **1. Background**

The exposure of the general insurance industry to reinsurers is a material source of counterparty risk and that risk may be heightened after domestic or global catastrophes. APRA undertook a voluntary data collection in 2010/11 to assess the degree of exposure to particular reinsurers. This data collection provided APRA with valuable information on the industry position and concentrations of exposures. APRA considered that a permanent data collection would be beneficial.

In June 2012, as part of the life and general insurance capital review, APRA consulted with the general insurance industry on proposals to collect reinsurance counterparty data on a permanent basis. The data collection would apply equally to general insurers and Level 2 insurance groups (collectively referred to as ‘insurers’).

The primary aim of the data collection is to enhance APRA’s ability to assess the impact of a reinsurer downgrade or failure on the prescribed capital amount, capital

base and hence capital coverage, for individual insurers and the general insurance industry.

In June 2013, APRA issued revised proposals for consultation which took into account feedback received on the consultation in June 2012, including proposals to:

- a) collect reinsurance counterparty information in the Reinsurance Arrangements Statements (RAS) submitted to APRA by insurers; and
- b) exempt information contained in the reporting standards introduced with this data collection from the usual annual audit requirements of the Appointed Auditor of a general insurer or the Group Auditor of a Level 2 insurance group.

Amendments are required to reporting requirements through instruments which are outlined in Section 2 below.

## **2. Purpose and operation of the instrument**

The purpose of making these instruments is to introduce new reporting standards to implement the proposals to collect reinsurance counterparty information.

The new reporting standards and associated reporting forms are issued under FSCODA. These reporting standards enable the reporting requirements under the new reporting framework to take effect.

The collection of annual data under the new general insurance prudential reporting requirements will commence for the reporting periods ending on or after 31 December 2013.

## **3. Consultation**

A summary of the public discussion and response papers released during the consultation period is as follows:

- June 2012: Discussion Paper ‘Review of capital standards for general insurers and life insurers – proposed revisions to reporting requirements’, which included proposals to collect reinsurance counterparty data;
- October 2012: Response Paper ‘Review of capital standards for general insurers and life insurers – reporting requirements’, which included APRA’s decision to defer further consultation on the collection of reinsurance counterparty data until 2013;
- June 2013: Discussion Paper ‘Reinsurance counterparty data collection for general insurers including draft reporting forms’, including draft reporting forms and instructions; and
- December 2013: Response letter ‘Reinsurance counterparty data collection for general insurers and Level 2 insurance groups’ including:
  - final versions of amended prudential standards; and

- final versions of reporting standards with forms and instructions.

APRA has considered both formal and informal feedback from industry throughout the consultation process. Submissions made by industry were broadly supportive of the changes. Issues raised during consultation have been addressed and taken into account in the prudential and reporting frameworks, where applicable.

#### **4. Regulation Impact Statement**

The Office of Best Practice Regulation has advised that a Regulation Impact Statement is not required for this legislative instrument.

#### **5. Statement of compatibility prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011**

A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

The instruments do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011. Accordingly, in APRA's assessment, the instruments are compatible with human rights.

## **Attachment A**

### **Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

#### **Financial Sector (Collection of Data) (reporting standard) determinations Nos. 101 to 104 of 2013**

These Legislative Instruments are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

#### **Overview of the Legislative Instrument**

These Legislative Instruments introduce new reporting standards to implement APRA's proposals to collect reinsurance counterparty information.

#### **Human rights implications**

APRA has assessed these Legislative Instruments and is of the view that they do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment, the instruments are compatible with human rights.

#### **Conclusion**

These Legislative Instruments are compatible with human rights because they do not raise any human rights issues.